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A DESCRIPTION OF BILLS OF EXCHANGE, 1559

In 1559 Rabbi Jehiel Nissim da Pisa wrote a compendium of the Jewish laws of usury, treating of the practices forbidden by biblical law or rabbinical enactment. He called his treatise *Hayye Olam*, Eternal Life, from which, according to the Jewish conception, neglect of these laws would bar the transgressor. As to his aims, the author expresses himself in the following interesting statement:

Since in this country the custom of lending money to gentiles has spread more than in all the other parts of the Diaspora and since through that they are led into collision with the prohibitions of the Scriptures, I have felt myself compelled to prepare a short compendium, devoted to these laws exclusively, which everybody will be able to consult without difficulty. . . . In our times and our country, where money negotiations form the occupation of the people, by which they earn their livelihood, such a treatise, as concise and at the same time as complete as possible, is absolutely necessary, so that the people may keep away from this great sin.

Rabbi Jehiel Nissim was a most competent authority on the subject, being a member of an old family of bankers¹ and a prominent banker himself and possessing at the same time a broad Hebrew education which enabled him to exercise the functions of a rabbi in his city.

The fifteenth and last chapter of his code, preceding his long conclusion, the rabbi devotes to a description of the bills of exchange, which may be of some interest for the historian of economics, since as far as I can ascertain, it adds some new data to our knowledge and in some details supplements the excellent description of banking at that period in Ehrenberg's *Das Zeitalter der Fugger* (Jena, 1896). The historical points mentioned in our text are fully discussed there.²

Jehiel Nissim's laws of usury were never published. The following free translation of chapter 15 is based on a copy of the original manuscript written in Bologna in 1566³ and acquired

¹ See Umberto Cassuto, *La famiglia da Pisa* (Florence, 1910), where the whole literature is quoted; about our author *ibid.*, pp. 52-56.

² Cf. vol. II: p. 68 *et seq.* about the importance of Lyons; p. 147 *et seq.* about the financial crises. The description of the "Ricorsa Wechsel" (*ibid.* p. 79-80) ought to be compared with ours.

³ For a description of the manuscript which contains also several other treatises of the author, see Cassuto in *Rivista Israelitica*, X (Florence, 1913), pp. 49-50.

lately for the library of the Jewish Theological Seminary of America at New York. Two other manuscripts of the treatise are known, one in Parma, the other in the Guenzburg Library in St. Petersburg.

ALEXANDER MARX.

Translation of Text

It is unnecessary for practical purposes to speak of bills of exchange, which are called in Italian *cambio*, for they are not current among the Jews of our time, nor did they exist in the time of the old codifiers and authorities. But, as they may occasionally be in demand, I have thought it best to explain their theory so as to show whether it is permitted or forbidden to make use of them.

There are two kinds of bills of exchange. The first is called bill of exchange, plain and simple. To give an example: A, who lives in Florence, possesses 100 scudis which he has to pay at Venice. He goes to B and says to him: "Here are 100 scudis. Give me a draft for that sum on your partner in Venice to pay them to me or to my representative." B agrees to this, accepts the money, and gives him a draft on Venice. For this he charges 2 or 3 per cent or thereabouts. Such a transaction is entirely permissible, because it can in no way be looked upon as a loan. A's reason for coming to B is only because he does not care to send the money to Venice, thus incurring the risk of travel and other dangers. He therefore gives the money to B, who ultimately gives him in exchange as many scudis as he received. If A should engage a messenger to take the money, it would involve expense and possible loss. To escape this, he gives the money to the banker, to whom he pays a trifle, and who agrees to make the payment on his behalf at the place where it is due. If, however, the banker should take something for making the payment in Florence itself, that would certainly be forbidden, for, in this case, he would only pay for postponing his own payment in Venice.⁴ Although we consider a gold-dinar fruit, as we have previously explained, this transaction seems to me to be permitted, because the bill of exchange is not a loan to which the law of the Torah refers.

The second kind of bill is called "real bill of exchange"—in Italian, *cambio reale*. I will explain its form because many people

⁴Sense not quite clear. Possibly Venice should read Florence,

find difficulty in understanding it; although it seems superfluous, since we have touched on the subject, we may as well discuss it. It is well known that generally business is carried on between merchants by delayed payments and on credit. Usually they give cloths, silk, and other goods on credit for a year or so, and can not collect their money before the end of the term agreed upon, and even then it comes in slowly. Meantime, the merchants are in need of ready money to enable them to carry on branches of their business, such as purchase of cloths and silks, chartering of ships, payment of duties, etc. If they could not find some one to advance them money for their enterprises, all business would be constantly going downward. Therefore, they invented a method enabling them to procure the money at a small rate, which, however, does not look like usury. Four Fairs were arranged in every year to take place at intervals of three months; and in every important business center there are bankers who advance money to those who need it, in a way we are about to explain. In Italy, these cities are Rome, Naples, Genoa, Venice, Florence, Lucca, Milan; in Spain, Barcelona, Valencia, Seville, Valladolid; in Flanders, Antwerp, a place of large money transactions and great importance; in Portugal, Lisbon; but the most important center in all the Christian countries is Lyons, in France. There are the seats of the business men of every nation and tongue, and according to their decisions the bills of exchange are fixed. To give an example: If somebody needs 10 marks in gold, in Lucca or Florence, he takes them at the rate of exchange of the mark in that city; say, 61 or $61\frac{1}{2}$ and sometimes 63 and so on, and he gives a draft on his partners in Lyons that they shall pay 10 marks at the time of the next Fair. There the rate of the mark is always 65 scudi, never more nor less, for the city of Lyons is like the center around which everything turns.

At the end of the Fair the merchants from all countries gather together and consider how large the demand for gold from Italy, Spain, Germany, London, and other places is. If the demand is great and on the Lyons market there is but little gold compared with the amounts needed to cover the payments, they figure the value of the mark in these countries at the rate of 61 or $61\frac{1}{2}$ or 62, etc. Accordingly, whoever takes a mark gets it at the above rate and pays in Lyons at the rate of 65. If, however, the demand is small and only few look for money, while there is much gold on the market and the king is not in need of money

because he is not engaged in a war, the rate of the mark in Italy rises to 63 or 64, etc.; and the difference between one city and the other is slight, say between Florence and Lucca $\frac{1}{8}$ of a scudi or $\frac{1}{4}$ for a mark. In this case, those who take a mark lose little, for the difference between 63 or 64 and 65 is slight. If, however, the demand is great and many ask for money, then the rate of the mark goes down, and the bankers pay to those who buy a mark only at the rate of 61 and $61\frac{1}{2}$ etc. so that those who buy money lose much, *i. e.*, the difference against the 65 which they have to pay in Lyons at the time of the Fair. Sometimes the market is so easy that the rate becomes the same as that at which the mark was bought in the other countries, so that one who has bought a mark loses nothing. It may even happen that the market is so very easy that the rate of the mark in Italy and elsewhere rises to such an extent that when the time of the payment in Lyons arrives some profit is realized. That, however, happens very rarely, but once in fifty years.

At the end of the Fair letters are sent to all the cities of Italy, Spain, and Germany, and the other countries, that the bankers may learn whether to raise or to lower the rate of the mark. All this they do with the purpose of creating a method enabling the merchants to procure money without difficulty. These matters are subject to ingenious speculation and great foresight, for there are experienced business men who see ahead with their spiritual eye coming events, calculate beforehand that the rate of gold will rise, and buy up all the money that is on the market or a large part of it. Not a day do they allow to pass without raising the rate of the mark 1 or $1\frac{1}{2}$ scudi, and they profit by the difference; many a man has acquired great wealth by these means. The opinions of Christian scholars on this point are divided, some claiming that it is forbidden to sell money according to this method because of usury, and others maintaining that it is permissible on the ground that those who sell the mark sometimes lose a little, although this is a matter of rare occurrence, and that sometimes the rate becomes the same. Because they run the risk of losing as well as gaining, in their opinion it is not to be considered as usury. The custom of selling money in this way has spread throughout all Christian countries and no one protests against it any longer.

There is still another kind of bill of exchange which is called "dry exchange." If the merchant who is in need of money has

no partner in Lyons or elsewhere to pay for him, and, further, he has no credit with the merchants, he gives securities to a banker and says to him: "Lend me 1000 scudis which I will accept at the rate to be determined for the mark, and I will pay you back at the rate of Lyons." This is called "dry exchange," since it is not the real exchange which is customary among merchants. And many men of prominence and high standing refuse to give money in this way; especially those who wish to pose as saints and who tremble for their souls claim that this is usury. They give their money only against a real bill of exchange, as explained above, or they lend it in enormously large amounts to the government or to the great nobles. This the Genoese did who gained enormous wealth, tens of millions, by their vast loans to Emperor Charles (V), and they claim that they have the permission of their Pope, because they run the risk of its happening that the king can pay them neither capital nor interest, as, indeed, it did happen when the king of Spain (Philip II), the son of the Emperor, remained debtor for enormous sums, as well as with the French king (Francis I), who remained debtor for large amounts. It is on the basis of such facts that these transactions are permitted, according to their religion.

To return to our subject: I should declare the buying of the mark absolutely forbidden among us, because we follow the principle that money is to be considered like fruit; therefore, such an arrangement is like lending fruit with the stipulation that fruit be returned (after the market price has risen). This is the kind of usury which the Torah has forbidden; for A receives from B a mark at the rate of 61 or 62 etc., and after three months he returns him a mark which is worth 65. Therefore, the only way permitted is as with fruit, *viz.*, that he return the mark at the place of the loan at the rate of 61 or 62, etc., and pay back as many gold pieces as he received, just as is done in the case of fruit. If the price has gone down, he pays back fruit, and if the value has been determined upon at the time he pays the value.

Having spoken on the subject of bills of exchange and explained their theory, we shall now, in order not to leave anything doubtful, discuss another subject, namely, that of ship-insurance. This is done in the following way: It is everywhere customary among merchants who send merchandise oversea, to wish to avoid the responsibility for the whole of the merchandise, on account of the numerous dangers of the sea, such as storm, pirates, or fire.

Therefore, a group of people take upon themselves all the risk for any damage that may happen to that merchandise, each one taking a certain amount, either small or large, as he wishes. Now, for the responsibility thus taken during the transportation from place to place, they are paid hire (premium) of insurance according to the distance: say, from Leghorn to Naples, 7 per cent; to Messina or Palermo, 8 per cent; to Alexandria, 12 per cent; etc. All responsibility for any damage that may happen to either merchandise or ship, then rests upon those who have taken it over until it has reached its destination and the master of the ship has delivered the goods safely to the merchants who are to receive them. The underwriters are then free from responsibility, and have earned the hire they have received. There are many laws and ordinances dealing with this matter which differ in the different places, according to their customs. The chief authority which all the laws of ships, sailors and merchants follow is a book called *Consulado de Barcelona*. Should a litigation occur between the shipowners and merchants, the judges would proceed, according to laws contained in this code, for example: If it should be necessary, because of a gale, to throw the goods overboard into the sea, or if there should be a hole in the ship by which the water entered and damaged the goods, a dispute might arise between the owners, the underwriters, and the shipowners. All these and similar cases require a great deal of judgment and knowledge. In reference to these matters, I say that if one undertakes this risk and insures the goods against all damage, one is permitted to accept the payment; for this is only for the insurance and has nothing to do with a loan. Further, as soon as a ship reaches its destination, the goods are delivered in their original form to their original owners or to others they have designated, and in undertaking the insurance an underwriter takes the risk as well as the gain; therefore, there is no suspicion of a forbidden act in this, even if it take place between Jews.

Thus we have explained everything where a doubt can occur.